

**FREQUENTLY ASKED QUESTIONS  
(FAQs)**

# Modified Cash Standard



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



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## 1. Introduction

The Frequently Asked Questions (FAQs) are based on queries commonly received from the stakeholders involved with preparation and finalisation of financial statements in accordance with the Modified Cash Standard (MCS). The advent of COVID-19 as a pandemic has prompted additional reporting for the users of the financial statements. These FAQ's should be considered for preparation and finalisation of the Interim Financial Statements for first quarter of the 2020/21 financial year and reporting periods thereafter.

These FAQs are not authoritative and do not form part of the Modified Cash Standard (MCS). Any examples provided are illustrative only and do not represent a comprehensive list of scenarios or circumstances that may exist in practice. As a result, the examples are not prescriptive and should not be used by analogy to other circumstances unless expressly stated otherwise.

## 2. Frequently Asked Questions (FAQs)

### 2.1 *How should a department report COVID-19 response expenditure in the notes and annexures to the financial statements?*

Financial statements provide disclosures that are useful to a wide range of users, and provide additional information that would be useful in decision-making. The financial statement disclosures, therefore, need to reflect the material effects of the COVID-19 pandemic.

Although the nature and extent of COVID-19 response expenditure in departments differ, it is imperative that the COVID-19 response expenditure be clearly reflected in the financial statements. During the financial year ended 31 March 2020, the Standard Chart of Accounts (SCOA) Technical Committee issued guidance on classification of COVID-19 related purchases and encouraged Departments to utilise the Fund and/or the Project Segment to track such expenditures for internal and external monitoring and reporting. The guidance titled *Implications of COVID-19 on financial reporting* issued by the Office of the Accountant-General (OAG) for the financial year ended 31 March 2020 stipulated that, although not specifically required, departments were encouraged to separately disclose the nature and amount of COVID-19 expenditure incurred in the 2019/2020 financial year, specifically where such expenditure is not already part of any other disclosures, such as on unauthorised expenditure.

In the interest of public accountability, specific and standardised reporting on COVID-19 response expenditure is required from the 2020/21 financial year. Therefore, departments are required to include a COVID-19 response expenditure note in the interim financial statements and the annual financial statements prepared for periods effective from 1 April 2020 in a format provided in the IFS Template and AFS Template, respectfully (i.e. Note 51). The amount disclosed in the COVID-19 response expenditure note includes all COVID-19 response expenditure. Examples of COVID-19 response expenditure include payments to contractors specifically appointed to address COVID-19 matters and, sanitisers bought by the department for use by individuals at its premises. Departments are also required to complete the COVID-19 response expenditure annexure to the financial statements (Annexure 11) in the aforementioned templates as the annexure provides detailed COVID-19 expenditure information useful to a wide range of users.

**2.2 How should a department account for donations in kind in the Financial Statements and Annexures?**

A department should analyse the terms of an arrangement that involves donations in kind to determine applicability of the Chapters in the MCS.

All donations including donations in kind must be disclosed in the notes to the financial statements. In the financial statements for departments donations fall under aid assistance. Sub-note 4.5 should be completed to disclose all donations received in kind. This disclosure includes any capital assets and inventory as received as in terms of Treasury Regulation 21.2, although these are also disclosed elsewhere in the financial statements as explained in the ensuing paragraphs.

If donations in kind are capital assets or inventory as defined in the MCS, they should be measured and recorded when received. The non-cash additions and disposals are recorded in the relevant capital assets and inventory notes to the financial statements. At this stage of MCS development, departments are required to report on Inventories in Annexure 6 to the financial statements.

Capital asset or inventory non-cash additions are also recorded in the asset or inventory register, respectively. When the capital asset or inventory is disposed of by distribution to beneficiaries, transfer to another entity or other means, the relevant register is updated with an entry of the donation in kind item.